

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BULLOCK PEN)	
WATER DISTRICT TO ISSUE SECURITIES)	
IN THE APPROXIMATE PRINCIPAL)	
AMOUNT OF \$573,000 FOR THE PURPOSE)	CASE NO.
OF REFUNDING CERTAIN OUTSTANDING)	2002-00263
REVENUE BONDS OF THE DISTRICT)	
PURSUANT TO THE PROVISIONS OF KRS)	
278.300 AND 807 KAR 5:001)	

ORDER

On July 2, 2002, Bullock Pen Water District (Bullock District) submitted its application seeking Commission authority to obtain a loan from the Kentucky Rural Water Finance Corporation (KRWFC) in the amount of \$573,000, subject to an adjustment of up to 10 percent. Bullock District estimates the KRWFC loan will have a 19-year term with an effective variable interest rate of 4.55 to 5.4 percent per annum. However, Bullock District states that the KRWFC loan may vary from the present assumptions based upon market conditions and other business judgment factors.

As part of its application, Bullock District moves for a deviation from the provision of Administrative Regulation 807 KAR 5:001, Section 6, requiring that, [w]henver in these rules it is provided that a financial exhibit shall be annexed to the application, the said exhibit shall cover operations for a twelve (12) month period, said period ending not more than ninety (90) days prior to the date the application is filed. However, Section 14 of the Administrative Regulation permits a deviation upon the showing of good cause.

In support of its request, Bullock District states that there has been no change that is material in nature in the financial condition or operation of Bullock District since December 31, 2001. In its application, Bullock District uses the financial data for the 12-month period ending December 31, 2001, the most recent published financial data available. Furthermore, because of the volatility of the bond market, Bullock District claims that it cannot run the risk of delaying the closing of the 2001 KRWFC loan while more current financial data is compiled. Having considered Bullock District's requested deviation, the Commission has determined that good cause for granting the deviation has been presented, and that there is sufficient financial information in the record for it to render a decision regarding the proposed KRWFC loan.

The loan proceeds will be used to refund Bullock District's: (1) Waterworks Revenue Bonds of 1985, dated February 25, 1986, bearing an interest rate of 8.375 percent per annum, with an outstanding principal balance of \$172,000; (2) Waterworks Revenue Bonds of 1987, Series A, dated April 28, 1988, bearing an interest rate of 7.375 percent per annum, with an outstanding principal balance of \$221,000; and (3) Waterworks Revenue Bonds of 1987, Series B, dated April 28, 1988, bearing an interest rate of 6.5 percent per annum, with an outstanding principal balance of \$147,000 (collectively the Prior Bonds).

Bullock District originally estimated that its proposed refinancing would result in total gross savings and net present value savings of \$265,881 and \$97,155, respectively. In its July 24, 2001 filing, Bullock District revised its application to reflect the finalized loan amount of \$572,535 and a variable interest rate of 3.15 to 5.00

percent. Using these final amounts, Bullock District calculates total gross savings and a net present value saving of \$317,378 and \$144,064, respectively.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Bullock District's proposed loan of \$572,535 from the KRWFC is for a lawful object within its corporate purpose, is necessary, appropriate for and consistent with the proper performance of its service to the public, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Bullock District's motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.

2. Bullock District is authorized to borrow \$572,535 from the KRWFC at an interest rate that will vary between 3.15 and 5.00 percent per annum

3. Bullock District is authorized to obtain the proposed KRWFC loan only if the total gross savings and net present value savings of the refinancing of its Prior Bonds are \$317,378 and \$144,064, respectively.

4. Bullock District shall, within 30 days of executing the agreement for the proposed KRWFC loan, file with the Commission a statement setting forth the date of the loan, the actual interest rate, and the actual principal amount.

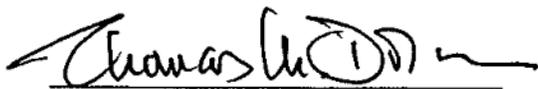
5. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency as to the securities authorized herein.

Done at Frankfort, Kentucky, this 25th day of July, 2002.

By the Commission

ATTEST:


Executive Director